

York and Boston. A convention of bankers at Baltimore on October 18, 1894, declared in favor of permitting the issue of circulating notes by existing national banks up to the amount of 50 per cent, of their paid-up capital, secured by general assets and by a guarantee fund deposited by the banks with the United States Treasurer. This guarantee fund was to be paid into the Treasury to the amount of two per cent, of the circulation of the banks the first year and thereafter at the rate of one-half of one per cent, per year until the entire amount was five per cent, of the outstanding circulation, and the government was to have a first lien upon all the assets of a failed bank, in order to ensure the redemption of the notes to the holders. An emergency circulation was also authorized to the amount of 25 per cent, of the capital, subject to a heavy tax upon the average amount outstanding for the year. The exact rate of this "heavy tax" was not specified, but its purpose was to compel the retirement of the "emergency circulation" when the demand for money was not acute enough to justify a high rate of interest.

Manifestations like these paved the way for the formal presentation of the subject to Congress in the message of President Cleveland and the annual report of Secretary Carlisle. The President urged in emphatic language the necessity of radical currency reform, but he left the exposition of the details to his minister of finance. The need of action was emphasized by the large exports of gold and the continuous pressure of the redundant paper upon the dwindling gold reserve. The proposals of Secretary Carlisle for currency reform may be summarized in their important features as follows:

1. Repeal all laws requiring, or authorizing, the deposit of United States bonds as security for circulation,
2. Permit national banks to issue notes to an amount not exceeding seventy-five per centum of their paid-up and unimpaired capital, but require each bank before receiving notes to deposit a guarantee fund consisting of United States legal-tender notes to the amount of thirty per centum upon the amount of notes applied for.